

**CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE**



Day: Monday
Date: November 22, 2010
Time: Beginning at 6:30 p.m.
Location: Community Center, Sierra Room
851 East William Street
Carson City, Nevada

Agenda

1. **Call to Order**
2. **Roll Call**
3. **Action on Approval of Minutes** – September 27, 2010
4. **Adoption of Agenda**
5. **Public Comments and Discussion:**

The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of, the Carson Nugget Development Advisory Committee. Comments are limited to **three minutes** per person or topic. In order for members of the public to participate in the committee's consideration of an agenda item, the committee strongly encourages members of the public to comment on an agenda item during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

6. **City Manager**

Discussion and possible action to recommend to the Board of Supervisors acceptance of the Financial Feasibility Report regarding the Carson City Center Project prepared by P3 Development.

Staff Summary: P3 Development has prepared a Financial Feasibility Report regarding the Carson City Center Project and is recommending that the Committee refer the report to the Board of Supervisors with a recommendation that the Board of Supervisors approve the report.

7. **Non-Action Items:**

Internal communications and administrative matters
Correspondence to the Committee
Status reports and comments from the members of the Committee
Staff comments and status report

8. **Action to Adjourn**

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Titles of agenda items are intended to identify specific matters. If you desire detailed information concerning any subject matter itemized within this agenda, you are encouraged to call the responsible agency or the City Manager's Office. You are encouraged to attend this meeting and participate by commenting on any agenda item.
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Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the City Manager's Office in writing at 201 North Carson Street, Carson City, NV, 89701, or by calling (775)887-2100 at least 24 hours in advance.
.....

This meeting can be viewed on Channel 226. For specific dates and times - www.bactv.org.
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*This agenda and backup information are available on the City's website at
www.carson.org*
.....

This notice has been posted at the following locations:

Community Center 851 East William Street
Public Safety Complex 885 East Musser Street
City Hall 201 North Carson Street
Carson City Library 900 North Roop Street
Business Resource & Innovation Center (BRIC) 108 East Proctor

Date: November 17, 2010

CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE

Minutes of the September 27, 2010 Meeting

Page 1

DRAFT

A regular meeting of the Carson Nugget Development Advisory Committee was scheduled for 6:30 p.m. on Monday, September 27, 2010 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Vice Chairperson Rob Hooper
Member Shelly Aldean
Member Brad Bonkowski
Member Lenny Chappell
Member Bruce Kittess
Member Carol Lange
Member Jim Lawrence
Member Phyllis Patton
Member Guy Rocha
Member Richard Stokes
Member Robin Williamson

STAFF: Larry Werner, City Manager
Andy Burnham, Public Works Department Director
Nick Providenti, Finance Department Director
Sara Jones, Library Director
Joe McCarthy, Business Development Manager
Neil Rombardo, District Attorney
Kathleen King, Recording Secretary

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the recording secretary during the meeting are part of the public record. These materials are available for review, in the Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (6:29:45) - Vice Chairperson Hooper called the meeting to order at 6:30 p.m. Roll was called; a quorum was present. Chairperson Dockery and Members Cardinal, Lewis, and Millard were absent.

3. ACTION ON APPROVAL OF MINUTES - April 26, 2010 and May 10, 2010 (6:30:17) - Member Bonkowski moved to approve the minutes. Member Aldean advised that she had communicated a clerical correction to the recording secretary. Member Williamson seconded the motion. Motion carried 11-0.

4. ADOPTION OF AGENDA (6:30:49) - Vice Chairperson Hooper noted only one item on the agenda and deemed it adopted.

5. PUBLIC COMMENTS AND DISCUSSION (6:31:00) - Vice Chairperson Hooper entertained public comment, and provided direction with regard to the same. (6:32:17) Dr. Joseph McEllistrom expressed support for the project. "I think we are facing a lot of challenges in Nevada and we are facing them at a greater degree than many other communities." Dr. McEllistrom noted the high unemployment rate, "some of the lowest in per pupil spending, highest foreclosure rates;" that mining and gaming are "impacted;" and that "we seem to be struggling more than most" cities. He expressed concern over the effect of the chronic struggle on "the psychology of the community. ... People start to dwell here; they don't live here. We really start to lose our connection and people start to lose their desire to invest

CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE

Minutes of the September 27, 2010 Meeting

Page 2

DRAFT

psychologically in the community.” Dr. McEllistrom noted the “opportunity that no one else has in Nevada. Just by a series of very fortunate events, we might be gifted a multi-million dollar gift that won’t be the complete antidote but it’ll address a lot of the things that Nevada needs to shore up.” He suggested that a business incubator, a library, loft apartments, and a downtown cultural center will bolster the sense of community. He referred to the “little farmer’s market” as an example. He acknowledged the concerns and that “they may be valid,” but expressed dismay over “walk[ing] away from this and los[ing] an opportunity that no one else has ...” He expressed the hope “there’s an investment in figuring this out and how it can benefit the community.”

(6:34:58) Sev Carlson, a member of the Library Foundation Board and a Carson City native, expressed support for the project. “As a Foundation member,” he offered to “do whatever is in [his] power to convince other members to support this project.” He noted Western Nevada College, the “well-respected medical community and a wonderful hospital to showcase that community and the services they provide ... to residents of Carson City [and] the region.” He further noted the opportunity “to have a project centered around a library, which is a learning institution ... where any age group can come and learn, can come and explore.” He further noted the “entrepreneurial engine in this community that hasn’t been fully used and this library will allow for that ... for ... young people to have an opportunity to explore and to learn in a non-formal setting and to make Carson City be a place where they want to come back, where they want to raise their families.” Mr. Carlson advised of having grown up in Carson City, and discussed a desire for Carson City “to flourish ...”

(6:36:38) Carol Howell requested clarification relative to public comment. Mr. Werner explained the agenda item to present a status report to the committee. “We’re not in a position to debate the issues yet. We are still, at this stage, simply giving an update to the committee as we will come back one more time, at least, and then get into the nuts and bolts of what this is all about. We’re not ready, yet, to present a project that would go to the Board of Supervisors. This is simply an update to the committee and so, at that point, there’s really not a lot to take testimony on.” In response to a comment, Mr. Werner noted the requirement for public comment pursuant to the Nevada Open Meeting Law. Ms. Howell advised of having “been in many, many of these meetings,” and of never having “heard ... any tax incentive for the partnership as the car dealerships are getting for either sales tax, rent, income, property tax.” Mr. Werner advised there would be none for this project either. In response to a question, he advised of no intent for a tax incentive program “like there was for the car dealers or anybody else.”

(6:38:51) Emily Sermac advised of having moved to Carson City in 1999, and that she and her husband “frequent the library ... and find no problem with the library you have.” She expressed the understanding that a public building will be constructed on private property. She inquired as to the possibility of purchasing the property, and expressed opposition to “put[ting] a public building on private land.” She advised of never having heard “of taking a four-lane road and turning it into two lanes.” She expressed concern over the volume of traffic on Carson Street, and opposition to the proposed City Center project.

(6:40:08) Richard Schneider expressed agreement with Dr. McEllistrom’s comments, but disagreed “the solution is downtown. I think it’s in the neighborhoods.” Mr. Schneider expressed the opinion that the proposed library will only serve a small portion of the population, and reiterated that “the solutions are in the neighborhoods.” He suggested that new libraries should be constructed in the neighborhoods.

(6:40:55) Phillip Davies advised of having researched P3 Development projects, specifically the Waterfront Hotel in Stockton, California, which he reviewed.

CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE

Minutes of the September 27, 2010 Meeting

Page 3

DRAFT

(6:42:55) Mike Pollard expressed confusion over “the placement of public comment,” and concern over increasing taxes other than the 1/8-cent sales tax “that they originally said.”

(6:43:23) Doreen Mack, of Lofty Expressions, advised of having had a retail business downtown for nine years and of having served as the Telegraph Square Merchants Association Chair. She noted the necessity of change and acknowledged the corresponding difficulties. “Our downtown needs to have people, something that we are drastically lacking right now, and to have any kind of success down there, we need to do something that’s going create that kind of environment.” Ms. Mack reviewed statistical information relative to the number of library visitors annually. “To have this established facility in the heart of our town with a consistent flow of people and foot traffic is crucial for every business to be successful.” Ms. Mack noted that the construction phase will also employ “citizens of our community, the goal being that in a couple of years, we’ll be through the worst of this recession.” She expressed the opinion that a “strong downtown core” will create “a safer community by lowering crime rates and, in return, increasing our property values.” She advised that the 1/8 cent sales tax “equals to \$26 a year for a family of four. This will be accumulated in 30 years and will have earned \$12 million toward this project.” Ms. Mack expressed the hope that “everybody here will really consider this project.” She advised of being a third generation Carsonite, and of having “seen this town go through many changes. We have had parking on Main Street and downtown business shops. And, when all that left, we left our whole community behind.” Ms. Mack requested the committee’s consideration to “put the library downtown.”

(6:45:11) Morris White expressed the opinion that “it is inherently wrong and dishonest to put a public building on private property.”

(6:45:35) Katherine Cunningham, a member of the Carson City Library Foundation Board, expressed excitement over the City Center project. She expressed the belief that “a library is the backbone of any vibrant community.” She noted that the current library is “very well loved, very well used,” and “has served our community to the best of its ability for decades.” She further noted that the community’s needs have significantly changed since construction of the library. “... we need a facility that can meet not only the complex, changing needs of today’s community but of the next generation and beyond.” Ms. Cunningham expressed the belief that “because of the unique opportunity with the Mae Adams Foundation, we’re able to build a state-of-the-art knowledge center today.” She expressed the further belief that the “facility will help in so many ways.” She related anecdotal information regarding her children’s ability to learn through technology. She noted the potential of a digital media lab to “enable every single child in Carson City to have an interactive, enriching educational experience; through technology ... to be transported to Egypt or see what the inside of a human heart looks like. ... We’re limited only by our imagination as to the applications of it.” Ms. Cunningham expressed the hope to retain more young professionals in Carson City; “give them a reason to invest their time and talents in our community.” She expressed the belief that the City Center project will “foster our efforts to diversify our economy and ... contribute to our educational system in every way.”

(6:47:54) Carson High Technical Skills Committee Co-Chair Gary Lyon advised of having served on the committee for the last four years. He further advised of having spent “an incredible two, three hours ... with two representatives of businesses that have expressed interest in this community that represent the state-of-the-art in digital technologies.” He further advised of having “been on the border about what’s going on with the Nugget project, but in hearing what they are talking about as what they see as the possibilities for Carson City and, in seeing the excitement that they bring about what Carson with a downtown center that we’re talking about,” he is now excited “about the possibility of, even if it costs me twice as much as what we’ve talked about, I’d be more than happy to because I can see my son finally saying, ‘Dad, there’s a

CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE

Minutes of the September 27, 2010 Meeting

Page 4

DRAFT

reason for me to stay here ...” Mr. Lyon expressed appreciation for the committee’s difficult challenge, and communicated a vision for “not so much a library, per se, ... but a place where a community comes together and where we combine formal learning from our schools, our university, with informal learning; the cross-pollination of ideas and what will become a fountain of new entrepreneurship in our community; a tremendous area for us to grow new ideas, new business, new opportunities within the community.” Mr. Lyon acknowledged the “pain” associated with “draw[ing] dollars out of the pocket ... but the investments we make today will pay for themselves a hundred fold ...” He expressed “absolute commitment to this project at this time because I see what the potential is when we can attract the kinds of businesses that ... absolutely can help Carson City be a vibrant economy with a place everybody will like to live and more people will want to say that Carson City is their home.” He suggested there’s no better place for this type of project than the capital city.

Vice Chairperson Hooper entertained additional public comments and, when none were forthcoming, closed public comments.

6. STATUS REPORT ON THE CITY CENTER PROJECT (6:50:54) - Vice Chairperson Hooper introduced this item. Mr. Werner provided an overview of the presentation, and background information on the process. He introduced Carson Nugget President Steve Neighbors.

(6:54:12) Mr. Neighbors advised that the “ultimate purpose of this project is really careers for our youth and economic sustainability and relevance in the future.” He noted the “800 temporary jobs ... [and] the 500 permanent jobs that this is supposed to bring.” He mentioned the intention to “attract the digital media industry and some other industries.” He further mentioned contacts, “during the process, of establishing relationships to bring patents and intellectual property from 248 federal labs to Carson for us to review and see what fits us as a community.” He advised of having agreed “at the end of the 30-year period, ... if the City does pay the modest rent which we will then turn back to the Library Board, that the Foundation will deed, fee-simple, the ... library to the City.” He expressed the opinion that “one of the challenges has been finance tools,” and advised of having worked with partners to bring in finance tools for businesses already in Carson City and new businesses that want to start up. He noted that “overall, this whole downtown project is a key cog to it.”

Mr. Neighbors advised of having “put out a challenge for a developer” that was nearly impossible to meet. He noted that every developer could have stones thrown at them “because they came and did their project but, behind the scenes, whoever was doing the finance or whoever was doing the deal didn’t put something together.” He reviewed the “five key elements that ... made a Herculean challenge to P3 [Development]” to the point that no one else “in the country really would rise to the challenge.” “We said, first, they had to finance 100 percent of it, not just the private, but the public portion as well. Instead of being the typical public / private partnership where the public helped the private, this is a reverse. This is where the private development is helping the public. We then said ... the City won’t sign on for any debt ... so your feasibility study is you’re standing on your own. I then said also, ‘We’re putting you in a spin cycle.’ In any development, everybody has personal agendas or entitlements or fears and they propagate the fears and we’re doing this in an election year so the spin cycle is on hyper spin. And, finally, the project will be bonded with payment and performance bonds. ... We’re going to have some big bond companies behind this to make sure everything is paid and taken care of.” Mr. Neighbors introduced P3 Development representatives.

CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE

Minutes of the September 27, 2010 Meeting

Page 5

DRAFT

(6:58:00) P3 Development CEO Rick Oshinski referenced his presentation at the May 10th committee meeting wherein he emphasized the public / private partnership process as “just that: a process, not a product.” He advised of having been “very much involved in the process” since that time. “We see a light at the end of the tunnel. We’re very close and ... we’re only able to give you a status report today because there are still some unanswered questions from a legal and financial point of view.”

Mr. Oshinski reviewed P3 Development’s responsibilities under the development coordination agreement in conjunction with a PowerPoint presentation. He advised of having been meeting with representatives of the Mae B. Adams Foundation and the City “on no less than a weekly basis and, many times, more than weekly. ... It’s been a very active process and the process involves a lot of people.”

(7:16:18) P3 Development President and City Center Project Manager Mike Courtney presented details of the proposed project in conjunction with a PowerPoint presentation.

Member Kittess looked forward to reviewing the PowerPoint presentation in more detail. Mr. Werner advised that more detailed information will be made available to the public as it becomes available to City staff. In response to a question, Mr. Werner anticipated scheduling another committee meeting within 60 days. In response to a further question, he advised that the development coordination agreement was extended. “At this point, the developer needs to get information from [the City] to come up with a viable plan. We have not been able to provide that so they can’t complete their portion because of a lack of performance on what we’re doing. We’re trying to get that wrapped up now.” Mr. Werner clarified that City representatives are “not just sitting around waiting for things to happen. We’ve all been really working on this to try to come up with what makes sense.” In response to a question, Mr. Courtney advised that sales tax would be tied to the amortization period of the debt. In response to a comment, Mr. Werner advised that lease payments would be made from the general fund “because the money comes into the general fund, but the money’s coming from the sources” indicated in the PowerPoint presentation. In the current redevelopment budget, approximately \$500,000 per year has been identified as “not committed to anything. We could use those on an annual payment. If our sales tax were to rise higher than what we anticipate, then that would reduce payments from other areas.” Member Kittess inquired as to calculations for “increased costs of maintenance for all of the public facilities.” Mr. Werner noted the importance of “getting to ... a viable capital plan.” He advised that Library Director Sara Jones prepared an operational plan approximately six months ago. He further advised of having discussed operations and maintenance with the City’s Facilities Division and the Public Works Department representatives. He acknowledged that the proposed project includes the parking lot adjacent to the 108 East Proctor Street building. In response to a further question, Mr. Werner advised that revenue from the lease payments would be required to be allocated to a charitable organization. “It cannot come back to the City ... because we’re not a charitable organization.”

Member Bonkowski inquired as to the anticipated term of the public leases under a lease / purchase plan. Mr. Courtney advised of having assumed 30 years. In response to a question, Mr. McCarthy advised that the current annual income to the redevelopment fund, for both districts, totals approximately \$2.1 million, which includes debt service and other obligations to the general fund. In response to a further question, Mr. McCarthy advised that no increase in the redevelopment budget is anticipated. In response to a question, Mr. Courtney advised that the proposed parking garage would be free-standing. The entrance and the exit are proposed to be on Robinson Street.

Vice Chairperson Hooper commended the progress from the May 10th committee meeting. Mr. Courtney acknowledged that the office space would be owned and leased by the developer. “It would be privately

CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE

Minutes of the September 27, 2010 Meeting

Page 6

DRAFT

financed and, assuming we're the developer, we would own the building and we would be on the hook for all the leases." Mr. Courtney responded to additional questions of clarification relative to the viability of the proposed project. In response to a further question, he estimated the lease rate "in the \$1.40 range."

Member Rocha inquired as to a decision-making time frame. Mr. Werner suggested, "If we don't have answers by the end of 60 days, it's probably not going to go forward. ... We've got to bring these to a conclusion ..."

Member Lawrence thanked Mr. Oshinski and Mr. Courtney for their presentation, commending them on "taking a very wide range of wants and desires and opinions and ... condensing it down ..." He looked forward to more carefully reviewing the PowerPoint presentation. In response to a question, Mr. Courtney referred to that portion of his presentation relative to the manner in which the leases are structured. "Typically, after the lease is paid for, all of the improvements that were financed would be owned by the entity paying the lease for the public agency." Member Lawrence inquired as to the City retaining ownership to the library land at the end of the 30-year term. "That's been one of the big questions: building a public building facility on land owned by a private party." Mr. Neighbors advised that "at the end of 30 years or whenever you pay off the lease that P3 needs, the Foundation will give fee-simple title to the library for the land underneath it." He provided background information on the perpetual nature of the Foundation "so not to liquidate its assets, but its gain on its investment in the assets to then bring that back to the community of Carson City and its youth. And so here was a challenge of how do we not liquidate our base asset." Mr. Neighbors advised of having conducted extensive research "and we've determined that, to make this simple, we'll just agree that we will give fee-simple deed to the library when they conclude the library lease payments. And in the interim, what money we do get from P3 for the interest on the land, so nobody's paying any principle, but what interest we do get, we'll give back to the Library Board for them to keep the library state-of-the-art going forward." Mr. Neighbors expressed the belief that "libraries, as people understand them today, are not libraries of the future. And digital technology is coming and there's a lot of change and we wanted to get some mechanism for the library to stay state-of-the-art." In response to a further question regarding the plaza, Mr. Neighbors advised "we were going to take whatever monies we got from P3 for the lease and give those back to either the library or the rec department to maintain events on the plaza. So the Foundation is not trying to make money off this deal. We don't want to just give the land to P3. To be honest, I didn't deal with the trustees on the land under the plaza. The intent was, as long as the City wanted to use these, we were going to let them perpetually use it at no principle payment and then whatever interest payments we did get on it, we were going to give back for the care of that element." Mr. Neighbors advised of "one more compounding issue. ... A private foundation or public party, if they donate money, can get better matching funds with the feds. So, if we donate something, we can actually get more leverage out of federal fund grants and so that's something we want to consider too."

Mr. Oshinski explained the next step, if a project is accepted by the Board of Supervisors, is negotiation of a series of agreements. "All of these kinds of details would be fleshed out in the development agreement." Mr. Oshinski anticipates "they're going to be more like lease-purchase agreements and there'll be more than one and there'll be a whole host of other agreements ... dealing with shared access and easements and things of that nature. It's going to be a complicated deal, but all of those issues would have to be agreed upon and fleshed out." Mr. Oshinski expressed the opinion "that's a wonderful role for this committee ... to help provide guidance for the Board of Supervisors on these types of issues ... because those are going to be things we're all going to need to grapple with in the negotiation process." Mr. Oshinski clarified, "Right now, we haven't committed to any of those things. We're just presenting a concept and an idea. Based upon, historically, what [Mr. Courtney] and I have done in the industry, this

CARSON NUGGET DEVELOPMENT ADVISORY COMMITTEE

Minutes of the September 27, 2010 Meeting

Page 7

DRAFT

is a pretty commonly-used tool. But this is different because this isn't a case where the municipality is leasing land to the developer. We build and lease back. This is an interesting deal because it's got a private party involved that happens to be a 501(c)(3). There's a lot of interesting little sidebars going on here which is partly responsible for the delay. There's a lot that the lawyers have to deal with that they've never really seen before. ... There's a lot of uncertainty and even people in the audience have pointed certain things out and they're right, but we have to hash all of those details out. Step one is deciding, can you build it and is the community, through its representatives, willing to build it."

(8:04:27) In response to a question, Mr. Courtney advised the parking would be free. Member Aldean discussed the importance of "bringing a little more clarity to the issue." She noted the library will not function without adequate parking, and suggested the plaza will become an integral part of "what we have to offer to the public as part of our investment." She suggested the need for "some sort of assurance that those facilities will be available to the public in perpetuity," and requested the parties to consider these elements in their deliberations.

In reference to Mr. Oshinski's comments, Mr. Werner provided background information on the resolution forming this committee. "... one of the charges was to assist in the development as it relates to the disposition of the development agreement. All of these items, agreements, discussions would come back to this committee ..." Vice Chairperson Hooper entertained additional committee member questions or comments; however, none were forthcoming.

7. NON-ACTION ITEMS:

INTERNAL COMMUNICATIONS AND ADMINISTRATIVE MATTERS - None.

CORRESPONDENCE TO THE COMMITTEE - None.

STATUS REPORTS AND COMMENTS FROM COMMITTEE MEMBERS -

STAFF COMMENTS AND STATUS REPORT - None.

8. ACTION TO ADJOURN (8:06:32) - Member Aldean moved to adjourn the meeting at 8:06 p.m. Member Williamson seconded the motion. Motion carried 11-0.

The Minutes of the September 27, 2010 Carson Nugget Development Advisory Committee meeting are so approved this _____ day of November, 2010.

ROBERT HOOPER, Vice Chair

**Carson City
Carson Nugget Development Advisory Committee
Agenda Report**

Date Submitted: November 15, 2010

Agenda Date Requested: November 22, 2010

Time Requested: 2 hours

To: Chair and Committee Members

From: Lawrence Werner, P.E., P.L.S.

Subject Title: Discussion and possible action to recommend to the Board of Supervisors acceptance of the Financial Feasibility Report regarding the Carson City Center Project prepared by P3 Development.

Staff Summary: P3 Development has prepared a Financial Feasibility Report regarding the Carson City Center Project and is recommending that the Committee refer the report to the Board of Supervisors with a recommendation that the Board of Supervisors approve the report.

Type of Action Requested: (check one)

Formal Action/Motion

Other (Specify) Discussion

Does This Action Require A Business Impact Statement: Yes No

Recommended Committee Action: I move to recommend to the Board of Supervisors acceptance of the Financial Feasibility Report regarding the Carson City Center Project prepared by P3 Development.

Explanation for Recommended Committee Action: The report details the elements, costs and funding sources for the project looking at two scenarios – one scenario is fairly conservative looking to potential revenue sources that are available for the City to commit to the project and the second scenario indicates the additional elements (or sizes of the elements) that could be constructed if additional revenues were available and the City wished to commit them to the project. The ultimate acceptance by the Board of Supervisors of the Financial Feasibility Report would be the conclusion of Phase 1.

Applicable Statute, Code, Policy, Rule or Regulation: None

Fiscal Impact: None at this stage.

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: The Committee may wish to condition the recommendations of the report or to not recommend that the Board of Supervisors accept the recommendations of the report.

Supporting Material: Draft of the Financial Feasibility Report by P3.

Prepared By: Lawrence A Werner

Reviewed By: _____

(Department Head)

Date: _____

6/17/10

Committee Action Taken:

Motion: _____

1) _____

2) _____

Aye/Nay

(Vote Recorded By)

MEMORANDUM

TO: CARSON CITY CENTER CITIZENS ADVISORY COMMITTEE

FROM: P3 DEVELOPMENT INC.

DATE: November 22, 2010

SUBJECT: REPORT OF FEASIBILITY STUDY PURSUANT TO DEVELOPMENT COORDINATION AGREEMENT

Overview of P3's Tasks Under the DCA

On June 3, 2010, the Carson City Redevelopment Authority, the Mae B. Adams Foundation, Carson Nugget, Inc. and P3 Development Inc. entered into a Development Coordination Agreement ("DCA") for the Carson City Center Project. Pursuant to the DCA, P3 agreed to "perform an analysis of the Project and the Desired Elements to determine the feasibility of the Desired Elements and a development program acceptable to the parties." The DCA required P3 to examine each of the Desired Elements for feasibility, perform certain tasks pursuant to its program analysis as set forth in the agreement and ultimately to present a final Development Program for acceptance to the Board of Supervisors. P3 agreed to work with such architects, engineers, consultants and contractors necessary to assist P3 in performing the feasibility analysis. To that end, P3 consulted with the architectural firm of AC Martin Partners, McCarthy Building Company, Hannafin Design Architects, Resource Concepts, Inc., Shaeheen Beauchamp Builders, LLC, Piper Jaffray and Co., Manhard Consulting, Sperry Van Ness Commercial Realtors, Remax Realty, Nevada Energy, Southwest Gas, Briggs Electric and RHP Mechanical Systems.

P3 met with this committee on two previous occasions to discuss the Project. It also performed a public workshop where conceptual plans were presented and the public was given the opportunity to ask questions. P3 then made a presentation to the Library Board and modified its Master Plan in light of the Board's input. Since the date of approval of the DCA, P3 has met on at least a weekly basis with representatives of Carson City and City staff, the City's financial consultants, and representatives of the Mae B. Adams Foundation to finalize a Development Program. In September, 2010, P3 made a presentation to this Committee with its initial program and feasibility results. The purpose of this memorandum is to set forth those findings in written form and to provide additional information developed since the September meeting.

Desired Elements

As required by the DCA, P3 examined the following Desired Elements:

- Knowledge and Discovery Center
- Business and Technology Incubator
- Central Outdoor Plaza
- Public Transit Hub
- Digital Media Lab
- Parking Structure

- Office Space
- Retail Space
- Evening Entertainment Venue
- Residential Space
- Public Improvements and Infrastructure
- Hotel and/or Event Center

Program Analysis

P3 completed the following duties as required by the DCA:

- Master Plan
 - Developed a Concept Site Plan that generally describes the layout of the Project Site and the approximate location of the Desired Elements and the Final Project Elements.
 - Communicated with the other parties to the DCA to confirm the proposed sizes and uses of the structures to be built.
 - Defined the public spaces and the location of the public transit hub.
 - Prepared a massing diagram to determine the approximate height of the Project buildings.
 - Prepared renderings and electronic images of the Project Site for presentation to the parties.
- Infrastructure Analysis
 - Analyzed curbs, gutters and sidewalks for the Project Site.
 - Determined the location of utilities and Project demands for the necessary utilities.
- Parking
 - Prepared a forecast of parking requirements for the Project Site and users based on projected uses.
 - Allocated parking spaces to accommodate the Project Site and the anticipated uses of the Desired Elements and the Final Project Elements.
 - Analyzed whether and how parking revenues can be generated from the Project Site.
 - Determined the optimal size of the project parking structure and whether the parking structure should be above ground or underground.
- Real Estate Issues
 - Determined the required or recommended term and costs of site leases serving the Project Site, performed a retail analysis and housing analysis and made recommendations to the parties regarding amount, type and timing of retail and residential uses.
 - Analyzed possible relocation and/or abandonment of existing streets to accommodate the Desired Elements and the Final Project Elements.
- Financing Analysis
 - Forecasted the cost of the public and private improvements that make up the Project and the cost of the Desired Elements and other individual elements of the Project.
 - Examined and made recommendations to the parties concerning phasing of the Project and priorities for each element of the Project.

- Prepared cost estimates to finance and build the Project, including the cost of the Desired Elements and such other improvements necessary for the Project scope.
- Development Plan
 - Prepared a sample Master Schedule for the Project from commencement to final completion of all approved Project Elements.
 - Proposed potential phasing options for construction of the Project.
- Public Outreach
 - Worked closely with Carson City staff to anticipate and resolve development issues and obtained input regarding desired Final Project Elements and Design and Financing Options.
 - Reported to the Board of Supervisors regarding its activities and findings at such times deemed necessary or advisable by Carson City.
 - Conducted working sessions with the Planning Commission, Citizens Advisory Committee and other relevant bodies as requested by Carson City.
 - Worked closely with other Project stake holders concerning the Desired Elements, the Final Project Elements and Design and Financing of the Project.

Summary of Findings

On May 10, 2010 P3 appeared before the Carson City Center Citizens Advisory Committee and summarized its tasks under the DCA as an attempt to answer three questions.

- 1) What would the clients like to build?
- 2) What can be built?
- 3) What is financially feasible?

What would the clients like to build?

Because the centerpiece of this Project is the Knowledge and Discovery Center, P3 has focused its attention on that element. P3 has determined, after consultation with the City and representatives of the Foundation, that the residential portion of the Project is not feasible at this time due to lack of demand and excess residential inventory in Carson City. P3 and the working group also determined that a State office building was not feasible at this time because the State is not yet prepared to negotiate a lease for any completed structure. However, P3 has concluded that a limited service hotel and conference center is feasible assuming a brand or independent owner/operator is willing to commit to that element. P3 will seek out a hotel owner/operator as part of its development duties. Each of these elements may become feasible at some point in the future but would not be part of the initial construction plans which P3 estimates could be commenced in the summer of 2011.

What can be built?

P3 has determined that all of the Desired Elements can be built on the Project Site identified as available for construction. P3 has found no substantial physical or environmental impediments and all necessary utilities are available. The vast majority of the Project site is already clear of buildings or other physical structures that would significantly impact the timing or cost of construction.

What is feasible?

The word “feasible” is defined as “capable of being accomplished or brought about; possible”. Using that term as a guide and also the common usage of that term in the development and construction industry, P3 has determined that **the Project is feasible**. Later in this report we will present three possible Project mixes, the anticipated cost of each and how the Project can be financed or paid for. As will be further explained below, if additional funding sources are made available to Carson City, which funding sources appear to have a reasonable chance of success, then all of the Desired Elements (less the residential space and State office building) are feasible and can be completed in approximately 36 months from the date construction commences.

P3 has determined that the Project has the greatest chance of success from a financing standpoint through a public/private partnership. This structure would involve a substantial investment from the developer or private sector as well as from the public sector, i.e. Carson City. The financing structure that will be proposed for each sector of the Project is not expected to impact the City’s debt limit and the financing we believe is available can be tax exempt. The City will not need to issue any new revenue bonds to complete the Project. The City’s obligation would be a long-term lease subject to annual appropriations. Finally, P3 has determined that construction can commence in the summer of 2011 and the City would not have to make a first lease payment until 2015. This is based upon the assumption that the Board of Supervisors approves the Development Program by the end of December, 2010 and that development agreements are negotiated and signed and a Notice to Proceed is given within 90 days thereafter.

Master Plan

The proposed master plan for the Carson City Center Project was prepared with input from all Project stakeholders, and the public. The main goals of the Project are to create new jobs and new economic opportunities that do not currently exist in downtown Carson City. The development team investigated all of the Desired Elements for feasibility. Several public meetings were held to present the development team’s perspective on the Project and to obtain feedback from key stakeholders and the public. Additionally the development team obtained information and feedback from:

- The Hop and Mae B Adams Foundation
- The Carson Nugget
- Carson City Public Works
- State of Nevada, Division of Lands
- State of Nevada, Office of Buildings and Grounds
- Sperry Van Ness
- ReMax Realty
- Southwest Gas Company
- NV Energy Inc.

The site provided by the Hop and Mae B Adams Trust is located in the heart of the downtown and is sufficient in size to support these goals and has no known environmental impediments. Exhibit "A" is the Master Plan. The elements of the master plan include:

- Knowledge and Discovery Center with retail 52,500 gsf
- Digital Media Lab w/Knowledge and Discovery Center
- Business Incubator w/Office Building #1
- Central Outdoor Public Plaza 80,000 gsf (includes water feature)
- Public Parking Garage 360 cars
- Surface Parking
- Bus Transit Hub w/Office Building #1
- Hotel and/or Conference Center (125 rooms w/5,000 gsf meeting space)
- Office Building #1 with retail 50,000 gsf
- Office Building #2 with retail 65,000 gsf

New infrastructure includes new landscaping, new/upgraded streets, new water and sewer service, new storm drainage service, new/upgraded electrical service and new gas service to the project area. Additionally, streets immediately adjacent to the Project may be modified by adding turn lanes, curbs & gutters, sidewalks and traffic signals. Exhibit "B", is the planned road access for the Project.

Parking requirements for the Project are based on the assumption of 2 spaces per 1000 gross square feet of building area within the Project boundary per Carson City requirements. The existing Nugget Casino is included within the Project boundary for the purpose of forecasting parking requirements. Parking demand for the Project is met with a combination of structured parking, on-site surface parking, new on-site street parking and off-site surface parking. The total forecasted parking demand for the Project is 719 cars. If the parties determine additional parking is needed for the project then added funding will be needed beyond what is currently budgeted. Exhibits "C & D", Parking Demand and Parking Plan.

Assuming approval of the public improvements and financing, the private development opportunities determined to currently be most feasible are a limited service hotel and an office building of approximately 50,000 gsf in size. The limited service hotel is estimated to include 125 rooms and 5,000 square feet of meeting space. Office building #1 is envisioned to include 50,000 gsf feet including the following proposed tenants:

- Carson City Business Resource and Innovation Center
- The Business Incubator
- Other General Purpose Office Space
- Bus Transit Hub Ticketing
- Retail

Retail space demand for the project is currently forecasted at between 7,500 and 10,000 square feet. The retail is proposed to be included in the Knowledge and Discovery Center and the two office buildings. The type of retail is expected to include coffee shops, specialty retail, tourist related, and food/deli/catering.

Development Budget/Master Schedule

Budget

Utilizing the proposed master plan and planning assumptions, a development budget of \$87,287,000 has been prepared. The proposed development budget for the Project is comprised of both public investment in the amount \$30,908,000 and private investment of \$56,379,000. The proposed budget includes costs for planning, architecture and engineering, permitting, construction, and fixtures furnishings & equipment. It is forecasted that more than 525 construction jobs (Exhibit "E") will be created from this investment.

The elements of the master plan requiring public investment are the Knowledge and Discovery Center, public plaza, parking garage, surface parking, Project infrastructure, and transit hub. Private investment will fund the office/retail buildings and the proposed hotel and conference center. Exhibit "F", Development Budget.

Master Schedule

A proposed master development schedule of 32 months is forecasted. This timeline commences with the approval by the Board of Supervisors to negotiate development agreements and concludes with the dedication of the new Knowledge and Discovery Center and other publicly funded components. It is anticipated that a portion of the private investment (Office Building #1) could be completed within this time period as well. Other privately funded work, such as the hotel, will begin as soon as those elements are financially feasible. All construction work will be planned so as to minimize disruption to downtown business. Exhibit "G", Master Development Schedule.

Land Ownership

The proposed Project site is currently owned by the Nugget Casino and will be deeded to the Hop and Mae B Adams Foundation upon approval of the development project by Carson City. It is proposed the land required for the Knowledge and Discovery Center, public plaza and parking garage remain under the Foundation's ownership during the term of the lease. When the lease term has expired, the Foundation will transfer the land to Carson City. Market rate lease payments will be paid by Carson City to the Foundation during the lease term of the public improvements for

land. It is proposed that the remainder of the project site remain under the ownership of the Foundation. All private development will be required to pay market rate lease payments for the land.

Operations and Maintenance Costs

It is P3 Development's understanding that the following assumptions are proposed by the Hop and Mae B. Adams Foundation and Carson City in regard to operations and maintenance costs for the public improvements:

- A new library can be maintained and operated within the library's current budget.
- Land lease payments made by the City to the Foundation related to the library will be returned to the library annually for their use during the term of the lease.
- Land lease payments made by the City to the Foundation related to the public plaza will be returned to the City for operations and maintenance costs of the public plaza annually during the term of the lease.
- Land lease payments made by the City to the Foundation related to the parking garage will be returned to the city annually for the term of the lease for operations and maintenance costs of the parking garage.
- Private Development land lease payments will be paid annually to the Foundation for the Foundation's use.

Financing Plan

For the purpose of determining the Project's feasibility a financing plan has been prepared for the publicly funded portions of the Project. The privately funded portion of the Project will be financed when feasible. The financing plan for the public improvements was created through the joint efforts of P3 Development, Piper Jaffray, Carson City and its financial consultants. The proposed financing plan for the Project is based on two assumptions:

- The City is not issuing the financing
- There can be no impact on City's Debt Limit

In order to meet the goals, a lease-based financing is proposed which includes the following:

- Developer/Developer Entity leases the land from Hop & Mae B. Adams Foundation.
- Development Team designs and constructs the Project for Guaranteed Maximum Price.
- The publically funded portion of the Project is leased to Carson City.
- Carson City makes lease payments from annual appropriations.
- Carson City acquires the Project at end of lease term.

The exact financing plan is difficult to predict at this point in the Project as it is subject many factors including actual market conditions at the time the financing is issued. However, the lease-based financing plan is a flexible and viable method. The financing can be taxable or tax exempt for varying terms. The amount to be financed is based on the Guaranteed Maximum Price provided by the

development team. Carson City has the option to finance less than 100 percent of the needed public funds by contributing one time funds as a down payment.

For the purposes of determining the Project's feasibility, the development team has created a best case and worst case scenario (Exhibit "H"). For the purpose of building a financing plan, we have fixed the cost of the improvements based on the development budget. However, other variables including timing of the private investment (based on feasibility), the amount financed and the impact of borrowing costs (interest rates) are adjusted to show the impact on Carson City's lease payments. The final variable is the amount of revenue available annually to Carson City to make lease payments. It should be noted that the proposed hotel and office building will generate tax revenues to the City annually once completed. This analysis forecasts a range of lease payments compared to available revenues for lease payments. As a result, in the worst case scenario, a "gap" is realized.

Assuming there is a "gap" the City has several options or a combination of options to close the "gap" by:

- Reducing the amount to be financed.
- Reducing the cost of public improvements.
- Increasing the amount of cash contribution (down payment).
- Obtaining federal grants.
- Realizing funds from a Library fundraising program.
- Increasing annual revenues to meet lease payments.

Recommendation/Next Steps

P3 Development has concluded that **the project is financially feasible**. P3 believes that the proposed project elements (both public and private), and the financing plan meet the goals of the community and Carson City. If agreeable, the Citizens Advisory Committee can give its recommendations to the Board of Supervisors who will then determine whether to accept the Development Program described herein. If the Board accepts the Program and authorizes staff to proceed, development agreements will be negotiated. Our proposed schedule assumes ninety days to negotiate the agreements and obtain final approval. If approvals are obtained and agreements are executed within the proposed schedule, ground breaking could occur in the spring, 2011, with Project completion 32 months later.

Exhibits

- Exhibit "A"- Project Master Plan
- Exhibit "B"- Project Master Plan, Roads
- Exhibit "C"- Project Parking Demand
- Exhibit "D"- Project Parking Plan
- Exhibit "E"- Construction Jobs Forecast
- Exhibit "F"- Development Budget
- Exhibit "G"- Master Development Schedule.
- Exhibit "H"- Project Financing Plan





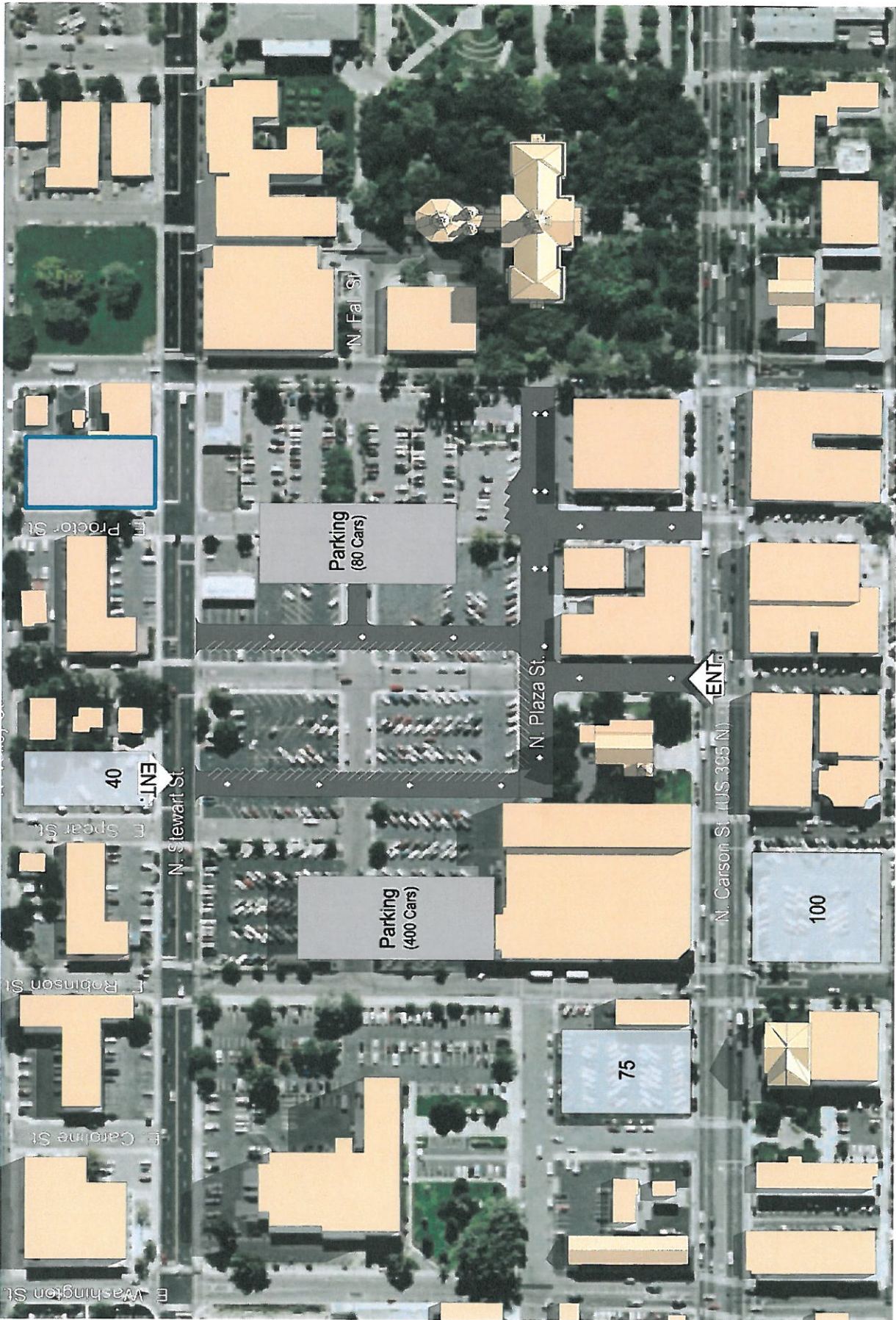
ACMP Nevada, Inc. Carson City Center Carson City, Nevada 09/22/2010

Roadways

Scale : 1"=100'

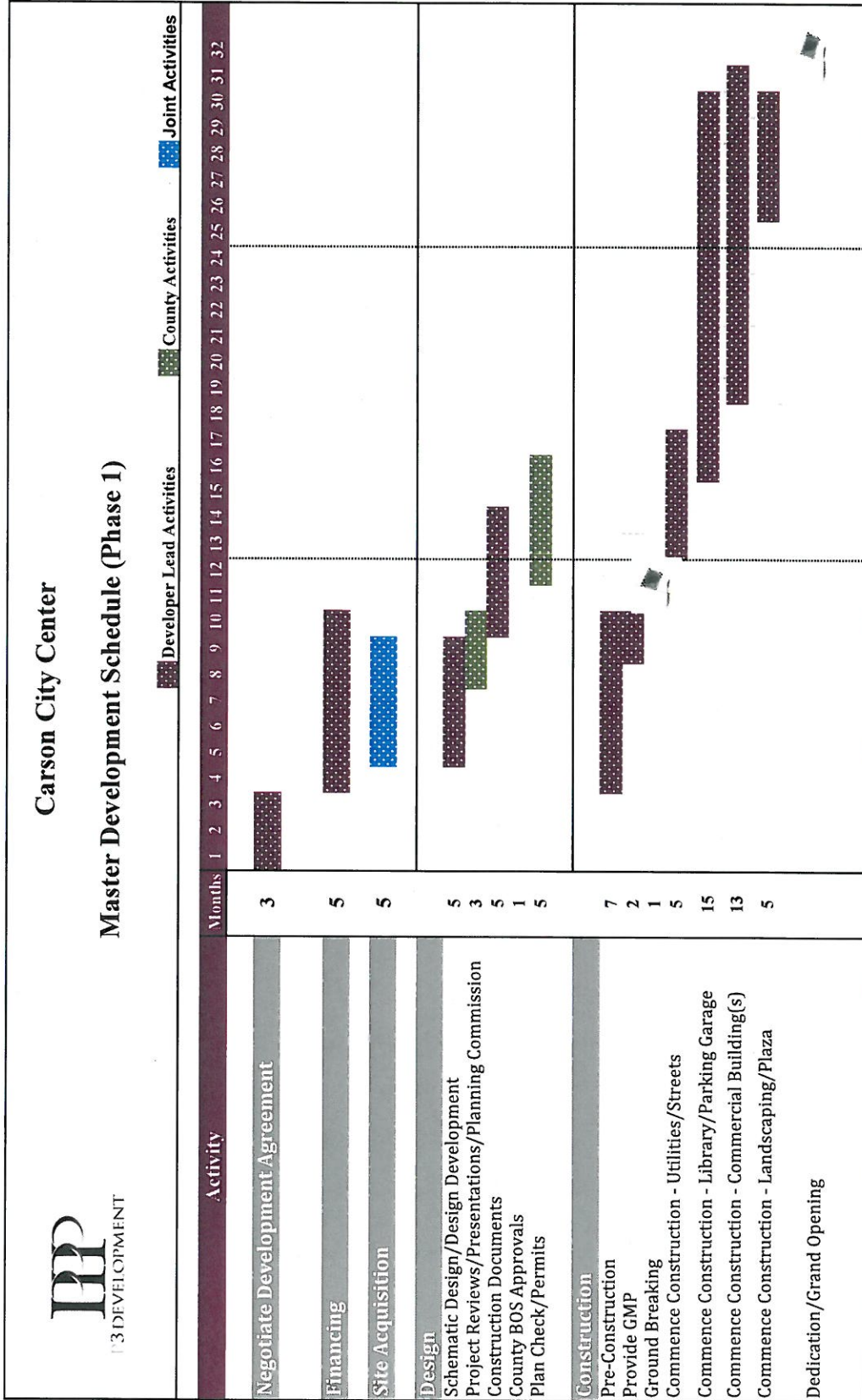
ADVELOPMENT

Carson City Center Parking Demand		
Building Area	Parking Requirement	
	Size	Number of Spaces
Library	52,500	105
Office Building #1	50,000	100
Office Building #2	65,000	130
Hotel	100,000	200
Nugget Casino	92,000	184
Total Parking Requirement	359,500	719
Parking Plan		
Parking Garage.		360
Shared parking lots to the west and north.		175
Shared parking lots on the east side of Stewart Street.		40
Surface lot within project boundary.		80
Surface parking to the east of the Nugget Casino		
On Street Parking within project.		70
Total Parking Provided		725



Carson City Center Construction Jobs			
Item	Public Investment	Developer Investment	Comments
Estimated Construction Jobs (At peak 2013)			
Infrastructure	72		
Public Plaza/Transit Hub	26		
Library	104		
Parking Garage	60		
Office Building #1		73	
Office Building #2		83	
Hotel		110	
Total Estimated Constructiton Jobs	262	266	
Estimated Permanent Jobs from Hotel		90	

Carson City Center Total Development Budget			
	Public Investment		Private Investment
Library	\$18,129,000		
Public Plaza	\$1,115,900		
Parking Garage	\$5,773,600		
Infrastructure	\$4,961,100		
Transit Hub	\$928,400		
Office Building #1 (50,000 gsf)			\$12,671,000
Office Building #2 (65,000 gsf)			\$16,856,000
Hotel (150 rooms and 25,000 gsf conference center)			\$26,852,000
Subtotal	\$30,908,000		\$56,379,000



**Carson City Center
Project Financing Summary**

	Best Case Scenario		Worst Case Scenario	
	Public Investment	Developer Investment	Public Investment	Developer Investment
Proposed Development Budget				
Library	\$18,129,000		\$18,129,000	
Public Plaza	\$1,116,000		\$1,116,000	
Parking Garage	\$5,774,000		\$5,774,000	
Streets/Sidewalks	\$4,961,000		\$4,961,000	
Transit Hub	\$928,000		\$928,000	
Office Building #1 (50,000 gsf)		\$12,671,000		\$12,671,000
Office Building #2 (65,000 gsf)		\$16,855,000		Future
Hotel		\$26,852,000		Future
Subtotal Project Cost	\$30,908,000	\$56,378,000	\$30,908,000	\$12,671,000
Less Public Agency Contributions	\$3,143,000		\$3,143,000	
Library Fund Raising	\$2,000,000			
Less Federal Grants****	\$7,500,000			
Amount to be Financed	\$18,265,000	\$56,378,000		\$12,671,000
Forecasted Annual Lease Costs (Spring 2015)	\$1,330,000 to \$1,525,000		\$1,980,000 to \$2,100,000	
Estimated Annual Revenues to Pay Lease Costs (Spring 2015)				
Proposed Sales Tax @ 1/8%	\$884,000		\$884,000	
Redevelopment Agency Funds	\$500,000		\$500,000	
Add Property Tax Increment	\$246,000		\$56,000	
Added Developer In-lieu tax	\$80,000		\$80,000	
Subtotal Estimated Revenues	\$1,710,000		\$1,520,000	
Gap Between Lease Cost and Revenues	\$380,000 to \$185,000		<\$460,000 to \$620,000>	

**** Includes EDA Grant - To be submitted.